

Congressman Ciro D. Rodriguez Testimony
Commercial Activities Panel
San Antonio, Texas Public Hearing
August 15, 2001

Chairman Walker and panel members, thank you for the opportunity to testify today on the issue of outsourcing of Department of Defense commercial activities. I am glad the panel picked San Antonio as a location for one of its three field hearings. San Antonio is unique in that the Department of Defense is simultaneously running three whole-base A-76 studies encompassing thousands of Army and Air Force military and civilian personnel. In addition, San Antonio has become the national model for innovative ways the military can use to reduce its overhead costs.

As a member of the Armed Services Committee in the House of Representatives, I am very interested in the recommendations of the panel. Outsourcing, especially the A-76 process, is very complex and specific recommendations from this panel on ways to improve the process are critical if Congress is going to change the outsourcing and competition processes.

Lackland AFB A-76 Public-Private Competition

Since we are at Lackland Air Force Base today we will likely hear a lot about the base's public-private A-76 competition currently under protest. This process has been marked by inconsistencies and difficulties from the start.

As background, the initial Lackland A-76 award last summer declared the private firm the winner. Affected Lackland AFB employees appealed that decision. On appeal the Air Force reversed the initial decision and declared in October of 2000 that government employees, the Most Efficient Organization (MEO), the winner. Twelve days before Christmas, following an appeal to the General Accounting Office by the private firm, the Air Force appeal authority reversed its October decision and declared the private firm the winner.

In light of the numerous reversals in the Air Force's decisions, I and all the members of the San Antonio Congressional delegation along with the two United States Senators from Texas, requested an independent investigation of the issue by the Department of Defense Inspector General. We wanted to know if the A-76 process at Lackland AFB was conducted in a fair and impartial manner.

The DOD Inspector General's report determined that the Air Force did not achieve supportable results from the Lackland competition. Specifically, the report stated that the Independent Review Officer and Source selection evaluations of the MEO's proposal were flawed and the appeal process failed to assess the merits of issues in the government employees appeal.

Following the Inspector General's report I called on the Air Force to halt all A-76 competitions within Air Education Training Commander until the problems identified by the IG's office were corrected. In addition, I called on the Air Force to re-compete the Lackland study. Mr.

Chairman, I ask that copies of my correspondence with the Air Force and the DOD inspector general be made part of the record.

The numerous problems identified in the Lackland competition should be the dead canary in the mine shaft for all government A-76 studies. The process is flawed and neither side, government workers nor the private sector, believes the process is fair or efficient. A few examples of the problems:

- The lack of equal appeal rights for government employees. The MEO employees can appeal only once. The private bidders, however, have numerous appeal options, including access to federal courts.
- The inordinate amount time involved in forming and carrying out a competition have a very negative impact on the morale and productivity of current government workers. In the 30 months that have transpired since the Lackland AFB competition was initially announced the base's Civil Engineering squadron has lost 45% of its civilian workforce. The squadron can only accomplish emergency repairs.
- The conflict of interest and ethics codes need to be strengthened. A point of contention in the Lackland A-76 case was a former Vice-Commander of the base who went to work for the private A-76 bidder during the competition process. While the actions of the vice-commander were determined to be legal they sure do not pass the smell test.
- Members of Congress and senior staff are prohibited from lobbying their former colleagues for one-year and the State of Texas has similar ethics laws for lawmakers and senior department and agency officials. I would urge the panel to recommend ways to strengthen the ethics laws to ensure that the process is viewed as impartial and fair.
- Preparing the Lackland A-76 costs the government more than \$5.5 million, a majority of which was for the development of the MEO. In addition, the private bidder likely spent millions developing its bid. The goal of A-76 is to save money and improve efficiencies, but is spending millions to run a competition the most efficient use of taxpayers money? Is there an alternative?

I would urge the panel to closely examine the problems of the Lackland A-76 and make specific recommendations to Congress on ways to improve the A-76 competition process.

Broader Outsourcing and Competition Issues

The House Armed Services Committee is serious about reforming the Department of Defense's outsourcing process. During committee consideration of the defense authorization bill earlier this month an amendment was adopted that strengthens the A-76 competition process and expands public-private competitions to both contracting in as well as contracting out. In

addition, the amendment requires that DOD establish a department wide inventory to track the cost and size of the contractor workforce.

The passage of this sweeping and controversial amendment on a bipartisan basis points to the urgency of change and the need for the GAO panel to examine the full range of outsourcing and competition issues. OMB Circular A-76 covers only a fraction of the outsourcing that occurs in the Department of Defense. Today, it seems that only two tools to reduce cost are widely used: outsourcing workloads directly to the private sector or A-76 based public-private competitions. We need other alternatives and those other options must be readily available to the commanders in the field. We need to trust the folks that run the operations today to come up with the necessary savings before subjecting the activities to the A-76 hatchet.

For example, Air Force instructions require bases to have numerous separate support functions that contain duplications of staff. This stove piping of support functions causes inefficiencies and doesn't provide flexibility to combine functions to reduce manpower. As an alternative, Brooks Air Force Base re-engineered its base's support functions generating savings of 25% without the pain and cost of an A-76. However, the approvals necessary to allow the Brooks re-engineering occurred only after much grumbling from the Air Force Material Command. Greater flexibility must be provided to field commanders and managers.

At Fort Sam Houston, the Army has begun, stopped, and started again on a whole-base A-76 competition that began nearly five years ago. During the past five years, the public works and logistics functions have lost so many quality personnel that numerous support functions are now contracted out at a nearly 50% increase in operations costs. In addition, millions of dollars have been spent to "help" the Army conduct the A-76 study, which will take at least another 12 months. Why don't the managers of the Public Works and Logistics Departments have the flexibility to reorganize without going through an A-76? Their budgets have already been cut by 20%, but the A-76 process continues.

I would urge the panel to examine options to provide greater flexibility for the managers in the field to reorganize to achieve the necessary savings. If they cannot succeed within a reasonable time then subject the function to an A-76 competition. In addition, greater accountability is needed on the entire outsourcing process to enable the DOD and Congress to accurately measure any savings or cost increases from outsourcing or retention of activities in-house.

Chairman Walker and other panelists, thank you again for the opportunity to testify today. Outsourcing and the A-76 process are complex and changes to the process could have far reaching fiscal and personnel implications for the Department of Defense and its employees. I would urge the panel to reach a consensus on detailed reform recommendations that Congress can use to improve the process for both the military services, government employees, and potential private bidders.